

TEACHERS' RETIREMENT BOARD
SUBCOMMITTEE ON CORPORATE GOVERNANCE

SUBJECT: Financial Market Reform

ITEM NUMBER: 4

ATTACHMENT(S): 1

ACTION: _____

DATE OF MEETING: June 5, 2002

INFORMATION: X

PRESENTER(S): Janice Hester Amey

Executive Summary

There have been no corporate governance/shareholder changes to the Financial Reform Matrix since the last meeting of the Subcommittee on Corporate Governance. The Legislative updates are noted in the status column. Staff will be available to discuss any concerns at the meeting.

IMPLEMENTATION PLAN REGARDING FINANCIAL MARKET REFORM

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
Director Independence/Disclosure					
1) Audit Committee Independence	Amend Financial Responsibility Criteria for Corporate Investments, Section B, 'Board of Directors', by adding 3A: "It is concluded that since the Audit Committee is a subset of the entire Board of Directors, the performance of the Audit Committee is the responsibility of the entire Board of Directors. The Board of Directors must provide active and independent oversight of all of its review committees, such as Audit, Nominating, Compensation, and Governance. All persons who serve on Audit Committees must be unaffiliated, independent directors, whose only material relationship to the company is the directorship. In recognition of the unique expertise and time commitment required for the Audit Committee, CalSTRS supports the view that members of the Audit Committee should receive greater compensation than other Board Committees. The Board of Directors should also consider limiting the term of Audit Committee service, by automatic rotation or other methods."	Proactive communication of CalSTRS' views on the importance of Audit Committee independence Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII* Use press, speaking forums Seek buy-in from other institutional investors Testimony	CalSTRS CalPERS NASD NYSE SEC NACD AICPA CII Nat'l Legislatures/ Regulatory/ State Regulatory/ Legislative bodies Administration	Guidelines amended on 04/03/02; approximately 300 "no" votes cast by CalSTRS on ratification of auditors Letters sent to oversight bodies on 04/30/02 CEO gave speech to California Chamber of Commerce on 04/16/02--matrix highlighted Institutional investors being contacted. Meeting with CalPERS scheduled for 04/29/02 CalSTRS issued press release; CII highlighted Subcommittee agenda item in April 18th Newsletter	
NASD = National Association of Securities Dealers NYSE = New York Stock Exchange SEC = Securities and Exchange Commission NACD = National Association of Corporate Directors AICPA = American Institute of Certified Public Accountants CII = Council of Institutional Investors		Current Status of Legislation: Federal Legislation: H.R. 3669 (Portman / Cardin): Committee of the Whole House. H.R. 3762 (Boehner-Johnson): Senate Committee on Health, Education, Labor, and Pensions. H.R. 3763 (Oxley): Senate Committee on Banking, Housing, and Urban Affairs. S. 1971 (Grassley): Senate Committee on Finance. S. 1992 (Kennedy): Senate Committee on Health, Education, Labor, and Pensions. S. 2004 (Dodd): Senate Committee on Banking, Housing, and Urban Affairs. S. 2460 (Levin): Senate Committee on Banking, Housing, and Urban Affairs.			
<u>Current Status of Legislation:</u> State Legislation: AB 1995 (Correa): Assembly Floor. AB 2970 (Wayne): Assembly Floor. SB 1527 (Burton): Senate Appropriations.					

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
Director Independence/Disclosure					
2) Audit Committee Authority/Responsibility	Amend the Financial Responsibility Criteria for Corporate Investments, Section A, 'Auditors' by replacing subheading 1 with: "The Audit Committee has a unique role in the capital markets and the overall governance structure. The Audit Committee shall have at least 3 members and no more than 5. The Audit Committee shall adopt a formal, written charter and provide a report that references the charter and disclosure, in the company's annual report/proxy statement whether the Audit Committee has complied with its charter responsibilities. Any amendments to the Audit Committee charter shall be reported to the shareholders in the annual report/proxy statement. The Audit Committee members must have full access to company financial documents. The Audit Committee shall regularly evaluate the relationship between management and the external and internal auditors. The Audit Committee shall have responsibility and authority to select, retain/replace and evaluate the external auditor, including any issues that may impair the external auditor's independence and direct the scope of the duties to be performed. The Audit Committee and the Board of Directors, as the fiduciary representatives of shareholders, are the ultimate authority to which the external and internal auditors are accountable."	<p>Proactive communication of CalSTRS views on importance of Audit Committee qualifications</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	<p>CalSTRS CalPERS NASD NYSE SEC NACD AICPA CII Nat'l Legislatures/ Regulatory/ State Regulatory/ Legislative bodies Administration</p>	<p>Guidelines amended on 04/03/02; approximately 300 "no" votes cast by CalSTRS on ratification of auditors</p> <p>Letters sent to oversight bodies on 04/30/02</p> <p>CEO gave speech to California Chamber of Commerce on 04/16/02--matrix highlighted</p> <p>Institutional investors being contacted. Meeting with CalPERS scheduled for 04/29/02</p> <p>CalSTRS issued press release; CII highlighted Subcommittee agenda item in April 18th Newsletter</p>	<p>Federal: <u>Administration Proposal</u>: Requires the audit committee to report it's recommended choice for external auditor directly to shareholders.</p>

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
Director Independence/Disclosure					
3) Audit Committee Qualifications	Amend Financial Responsibility Criteria for Corporate Investments by revising Section A, 'Auditors', to include subsection 2: "All members of the Audit Committee will be persons whose past/current employment experience/education demonstrates expertise in finance and/or accounting, including being or having been a CEO or other senior executive officer with financial oversight responsibilities. The Board of Directors shall provide a written and signed statement in the annual report/proxy statement, attesting that it has determined that the members of the Audit Committee have the expertise in finance and/or accounting necessary for the execution of its oversight and monitoring duties. The Board of Directors shall attest in this statement, that the Audit Committee members can read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. The Board of Directors shall assess the adequacy of the Audit Committee on an annual basis. This report should have the same protections offered by the SEC in its "safe harbor" for the existing Executive Compensation report included in the proxy statement."	<p>Proactive communication of CalSTRS' views on importance of Audit Committee qualifications</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	<p>CalSTRS</p> <p>CalPERS</p> <p>NASD</p> <p>NYSE</p> <p>SEC</p> <p>NACD</p> <p>AICPA</p> <p>CII</p> <p>Nat'l Legislatures/Regulatory/State Regulatory/Legislative bodies</p> <p>Administration</p>	<p>Guidelines amended on 04/03/02; approximately 300 "no" votes cast by CalSTRS on ratification of auditors</p> <p>Letters sent to oversight bodies on 04/30/02</p> <p>CEO gave speech to California Chamber of Commerce on 04/16/02--matrix highlighted</p> <p>Institutional investors being contacted. Meeting with CalPERS scheduled for 04/29/02</p> <p>CalSTRS issued press release; CII highlighted Subcommittee agenda item in April 18th Newsletter</p>	

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Director Independence/Disclosure					
4) Executive Compensation	Research and recommend standards for better disclosure	Proactive communication of CalSTRS' views on the importance of plain language descriptions and heightened disclosure	CalSTRS CalPERS NASD NYSE SEC NACD AICPA CII Nat'l Legislatures/ Regulatory/ State Regulatory/ Legislative bodies Administration	Research in progress	

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
External Auditor Independence and Disclosure					
1) Limitations on Non-Audit Services	Amend the Financial Responsibility Criteria for Corporate Investments, Section A, 'Auditors', to include subheading 3 to read: "CalSTRS supports the limitation of non-audit services that an external auditor can provide to an audit client. If non-audit services other than taxation issues are provided and disclosed, CalSTRS may cast a negative vote against that auditor's continuance. External auditors that also have direct investments in audit clients or affiliates of audit clients will not be considered as Independent Auditors/Accountants and CalSTRS shall cast a negative vote against the auditor's selection/adoption."	<p>Proactive campaign to prohibit/restrict non-audit services to anything other than taxation issues</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	<p>CalSTRS CalPERS NASD NYSE SEC NACD AICPA CII Nat'l Legislatures/ Regulatory/ State Regulatory/ Legislative bodies Administration</p>	<p>Guidelines amended on 04/03/02; approximately 300 "no" votes cast by CalSTRS on ratification of auditors</p> <p>Letters sent to oversight bodies on 04/30/02</p> <p>CEO gave speech to California Chamber of Commerce on 04/16/02-matrix highlighted</p> <p>Institutional investors being contacted. Meeting with CalPERS scheduled for 04/29/02</p> <p>CalSTRS issued press release; CII highlighted Subcommittee agenda item in April 18th Newsletter</p> <p>Letter supporting auditor independence and accounting oversight sent to Senator Sarbanes 04/25/02</p>	<p>Federal:</p> <p>1) <u>HR 3763 (Oxley)</u>: Prohibits firms from providing internal auditing and financial computer system consulting, but tax consulting is permitted. The SEC would be permitted to review the potential addition of prohibited services. Rejected proposed amendment would require prior approval of audit committee to offer non-audit services.</p> <p>2) <u>S. 2004 (Dodd-Corzine)</u>: Prohibits firms from providing audit and non-auditing services simultaneously, but tax consulting is permitted if approved in advance by the audit committee.</p> <p>3) <u>Administration Proposal</u>: Directs the SEC to establish guidelines to prohibit performance of non-audit service if it compromises the independence of the audit.</p> <p>4) <u>S. 2460 (Levin)</u>: Increases auditor independence by barring an audit firm from auditing its own work and from providing non-auditing services to a company during the course of its audit contract and for two years afterward.</p> <p>State:</p> <p>1) <u>AB 1995 (Correa)</u>: Prohibits California accountant from certifying financial statement if accounting firm performs non-audit services for client, other than tax preparation and SEC document review.</p> <p>2) <u>SB 1527 (Burton)</u>: Prohibits an audit company from providing certain non-audit services for an audit client.</p>

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
External Auditor Independence and Disclosure					
2) Rotation of External Audit Firm, Limit Term to 7 Consecutive Years	Amend the Financial Responsibility Criteria for Corporate Investments, Section A, 'Auditors', to include subheading 4 to read: "CalSTRS supports limiting external auditor firms to seven consecutive years of audit service to portfolio companies."	<p>Proactive communication of CalSTRS policy of seven-year rotation of external audit firms</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	<p>CalSTRS</p> <p>CalPERS</p> <p>NASD</p> <p>NYSE</p> <p>SEC</p> <p>NACD</p> <p>AICPA</p> <p>CII</p> <p>Nat'l Legislatures/Regulatory/</p> <p>State Regulatory/</p> <p>Legislative bodies</p> <p>Administration</p>	<p>Guidelines amended on 04/03/02; approximately 300 "no" votes cast by CalSTRS on ratification of auditors</p> <p>Letters sent to oversight bodies on 04/30/02</p> <p>CEO gave speech to California Chamber of Commerce on 04/16/02-matrix highlighted</p> <p>Institutional investors being contacted. Meeting with CalPERS scheduled for 04/29/02</p> <p>CalSTRS issued press release; CII highlighted Subcommittee agenda item in April 18th Newsletter</p> <p>Letter supporting auditor independence and accounting oversight sent to Senator Sarbanes 04/25/02</p>	<p>Federal:</p> <p>1) <u>S. 2004 (Dodd-Corzine)</u>: Requires the SEC to review effects of mandatory rotation of accounting firms.</p>

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
External Auditor Independence and Disclosure					
3) Cooling-Off Period Regarding Employment with Client	Amend the Financial Responsibility Criteria for Corporate Investments, Section A, 'Auditors', to include subheading 5 to read: "CalSTRS supports a one year cooling-off period regarding the employment, as either Staff or a Member of the Board of Directors, of persons on the companies' external audit team or senior management of the external audit firm."	<p>Proactive campaign to prohibit employment by external auditor team personnel or external audit firm control persons with client for one year, in either staff or board role.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	<p>CalSTRS</p> <p>CalPERS</p> <p>NASD</p> <p>NYSE</p> <p>SEC</p> <p>NACD</p> <p>AICPA</p> <p>CII</p> <p>Nat'l Legislatures/Regulatory/State Regulatory/Legislative bodies</p> <p>Administration</p>	<p>Guidelines amended on 04/03/02; approximately 300 "no" votes cast by CalSTRS on ratification of auditors</p> <p>Letters sent to oversight bodies on 04/30/02</p> <p>CEO gave speech to California Chamber of Commerce on 04/16/02-matrix highlighted</p> <p>Institutional investors being contacted. Meeting with CalPERS scheduled for 04/29/02</p> <p>CalSTRS issued press release; CII highlighted Subcommittee agenda item in April 18th Newsletter</p> <p>Letter supporting auditor independence and accounting oversight sent to Senator Sarbanes 04/25/02</p>	<p>Federal:</p> <p>1) <u>S.2004 (Dodd-Corzine)</u>: Requires 2-year cooling-off period for auditor to serve in senior financial position of client.</p> <p>2) Rejected proposed amendment to <u>H.R. 3763 (Oxley)</u> to require a 2-year cooling-off period for an auditor to work for a client and to prohibit independent board member from working as a paid consultant to company.</p> <p>3) <u>S. 2460 (Levin)</u>: Increases auditor independence by barring an audit firm from auditing its own work and from providing non-auditing services to a company during the course of its audit contract and for two years afterward.</p> <p>State:</p> <p>1) <u>AB 2970 (Wayne)</u>: Requires 2-year cooling-off period for auditor to accept senior management job with client.</p>

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
Deferred Compensation - Defined Contribution Plans					
1) Employees will have a choice on whether to invest in a company's defined contribution plan	Support choice on whether to invest in a company's defined contribution plan.	Support selected federal legislation/regulatory/ administration proposal that will codify this choice.	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/ Regulatory/ State Regulatory/ legislative bodies, Administration, Department of Labor, PBGC	Under consideration	
2) Employees will have a choice over the form of employer/company's matching contribution	Support choice over the form of employer/company's matching contribution.	Support selected federal legislation/regulatory/ administration proposals that will codify the choice over the form of employer/ company's matching contribution.	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/ Regulatory/ State Regulatory/ legislative bodies, Administration, Department of Labor, PBGC	Under consideration	

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
Deferred Compensation - Defined Contribution Plans					
3) Limit employer stock holdings in employee defined contribution plans to 10% or less unless employee requests the company to waive the cap and allow the employee to allocate up to 100% of her defined contribution plan to company stock	Support default cap as long as it allows employee to choose whether to increase investment in company stock.	Support selected federal legislation/regulatory/administration proposal to set a default cap (10% or less unless employee requests waiver). Not directly addressed on national level.	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration, Department of Labor, PBGC	Under consideration	
4) Reduce or eliminate corporate restrictions on employee liquidation of company stock	Support easing of restrictions on employee liquidation of company stock and increased education regarding the provision.	Support the reduction/elimination of restriction on employee liquidation of company stock.	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration, Department of Labor, PBGC	Under consideration	Federal: 1) <u>H.R. 3669 (Portman-Cardin)</u> : Permits diversification of specified percentage of employer stock in 401(k) plan after 3 yrs of service by employee. 2) <u>H.R. 3762 (Boehner)</u> : Permits employees to diversify out of employer securities after 3 yrs of participation or service. 3) <u>S. 1971 (Grassley)</u> : DC plans invested in publicly-traded employer securities would be required to provide participants with the right to diversify elective deferral amounts immediately and employer contributions invested in employer securities once the participant has 3 or more yrs of service. 4) <u>S. 1992 (Kennedy)</u> : Permits employer stock matches or investment in company stock, but not both, and prohibits required investment of plan assets in company stock. 5) <u>Administration Proposal</u> : Employees would be permitted to sell company stock and diversify into other investment options after they have participated in the employer's section 401(k) plan for at least 3 yrs.

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Deferred Compensation - Defined Contribution Plans					
5) No record keeper transition/change or resulting blackout period if company stock has declined 30% over the previous 60 days. In addition, companies/employers should give 30 days notice prior to any record keeper transition/change	Support the restriction of record keeper changes and any resulting blackout period if company stock has declined 30% or more over the previous 60 days. Support efforts to reduce length of any blackout period. Employees should also receive increased education about this provision.	Support record keeper transition restrictions. Not currently addressed on the national level.	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration, Department of Labor, PBGC	Under consideration	Federal: 1) <u>H.R. 3669 (Portman-Cardin)</u> : Requires 30 day notice of blackout. 2) <u>H.R. 3762 (Boehner)</u> : Requires 30 day notice if the blackout is more than 3 consecutive days. 3) <u>S. 1971 (Grassley)</u> : DC plan participants would have to receive at least 30 days notice of any impending "lock-down" 4) <u>S. 1992 (Kennedy)</u> : Requires 30 day notice before blackout, and blackout length may not be unreasonable. 5) <u>Administration proposal</u> : Requires 30 day notice of blackout.
6) Support, in concept, selected legislative efforts to protect retirement security	Support selected legislative efforts to protect retirement security that address issues presented here.	Support selected legislative efforts to protect retirement security.	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration, Department of Labor, PBGC	Under consideration	

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Accounting Standards					
1) Reform/review the Accounting Standards, especially regarding new/complex financial transactions (Special Purpose Entities or SPEs)	Support the reform/review of accounting industry standards and accounting standards, generally. Independent industry accounting standards and transaction accounting standards are prophylactic for all investors. Independent auditors should not be advocates for audit clients; unlike other service vendors who must satisfy the client to make a sale, independent auditors occupy a unique position in our capital markets and hold a public trust. Audit work should be priced fairly, not at marginal rates, in the hopes of securing management advisory services at more profitable levels.	<p>Support CII policy and legislative/regulatory/ administrative proposals that accounting standards be updated. Seek buy-in of institutional users of financial statements, such as SEC, NYSE, NASD, investment analysts, investment managers, banks, underwriters.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/ Regulatory/ State Regulatory/ legislative bodies, Administration	<p>CII policy regarding auditor independence supported at most recent CII meeting, March 25, 2002.</p> <p>Institutional investors being contacted; also outreach to users of financial statements.</p> <p>Letters to oversight bodies sent on 4/30/02.</p>	

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Accounting Standards					
2) Improve Accounting Industry Oversight/Regulatory and Enforcement Powers	Support the improvement of independent oversight of the accounting industry by the Securities and Exchange Commission.	<p>Support greater oversight by the SEC. Current proposals want the private sector to pay for an oversight arm of the SEC, but want the agency to be independent of the accounting profession/industry; may not be possible. All proposals would give the oversight body subpoena and disciplinary power. Currently being reviewed legislatively.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration	<p>Letter sent to SEC on 4/30/02. Senator Sarbanes letter also references this issue.</p> <p>Institutional investors being contacted; also outreach to users of financial statements.</p> <p>Letters to oversight bodies sent on 4/30/02.</p>	<p>Federal:</p> <p>1) <u>H.R. 3763 (Oxley)</u>: Establishes 5 member board (with 3 public members) within the SEC with authority to impose sanctions on accountants who violate securities laws and standards of ethics.</p> <p>2) <u>S. 2004 (Dodd-Corzine)</u>: Establishes five-member Independent Public Accounting Board (with 3 public members) within the SEC to assess compliance with securities law and standards of ethics and impose sanctions for violations of those laws and standards.</p> <p>3) <u>Administration proposal</u>: Establishes an independent regulatory board under the SEC's supervision to develop standards of professional conduct and would monitor and enforce ethics principles.</p>

CONCERN	CALSTRS' INTERNAL ACTION	CALSTRS' EXTERNAL ACTION	RELEVANT ENTITIES	STATUS	COMMENTS
Accounting Standards					
3) Increased disclosure standards of auditor services/revenues	Support the increased disclosure standards relative to non-audit services. We will actively support the prohibition against all non-audit services, but without a prohibition, disclosure is a necessity for investors.	<p>Support CII, SEC, as well as other institutional investors efforts regarding the increased disclosure of auditor ties.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration	<p>Letter sent to SEC on 4/30/02. Senator Sarbanes letter also references this issue.</p> <p>Institutional investors being contacted; also outreach to users of financial statements.</p> <p>Letters to oversight bodies sent on 4/30/02.</p>	
4) Increase mandatory liability limits for external auditor firms	Support the increase of liability limits for external auditor firms, although it is recognized that an independent auditor's report is no guarantee that a company will prosper.	<p>Support increased liability limits for external auditor firms. Not addressed by others yet; seek buy-in from other investors, as well as SEC, appropriate legislative/ regulatory parties.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration	Research in progress	

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Accounting Standards					
5) Broader disclosure of client company's entrance into forward equity contracts	Support increased disclosure and information regarding companies' risk with respect to forward equity contracts as it relates to the underlying capital structure	<p>Support broader disclosure regarding risk of company's entry into forward equity contracts. Seems to be addressed in the accounting standards, may need more flexible language. Not addressed by others yet. Further research is needed.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration	Research in progress	

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General Governance					
1) Develop general guidelines for a governance system	Support the active dissemination of general governance guidelines and a best practices of corporate governance	<p>Enhance director independence standards; board committee standards. Require all review committees to be comprised entirely of independent directors.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration	Current efforts underway	<p>Federal:</p> <p>1) <u>H.R. 3763 (Oxley)</u>: Requires SEC to review current corporate governance standards and practices to determine whether such standards and practices are serving the best interests of shareholders and report findings in the next annual report. Rejected proposed amendment to require SEC enforcement of audit committee governance practices and to enhance authority of SEC to remove board members from companies.</p> <p>2) <u>S. 2004 (Dodd-Corzine)</u>: Requires exchanges to review current corporate governance standards and practices to determine whether such standards and practices are serving the best interests of shareholders and report findings within 90 days.</p>
2) Establish minimum corporate governance standards	Addressed above	<p>Eliminate broker voting; support CII, CalPERS efforts on this. Seek buy-in of others in the proxy process, especially corporations.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration	Current efforts underway	

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General Governance					
3) Reform the Private Securities Litigation Reform Act of 1995 (PSLRA)	Support reform of the Private Securities Litigation Reform Act of 1995 as it relates to liability standards for independent auditors.	<p>Support reform of the Private Securities Litigation Reform Act of 1995 with respect to joint and several liability. Seek buy-in of others in the securities litigation area, such as CalPERS and other institutional investors.</p> <p>Send letters to oversight bodies such as NASD, NYSE, SEC, NACD, AICPA, CII</p> <p>Use press, speaking forums</p> <p>Seek buy-in from other institutional investors</p> <p>Testimony</p>	CalSTRS, CalPERS, NASD, NYSE, SEC, NACD, AICPA, CII, Nat'l Legislatures/Regulatory/State Regulatory/legislative bodies, Administration	Research in progress	